

## DEPARTMENT OF FINANCE BILL ANALYSIS

**AMENDMENT DATE:** July 10, 2007  
**POSITION:** Oppose  
**SPONSOR:** California Nurses Association, California School Employees Association, and California Teachers Association

**BILL NUMBER:** SB 840  
**AUTHOR:** S. Kuehl  
**RELATED BILLS:** SB 840 (2006), SB 1014

### **BILL SUMMARY:** Single-Payer Health Care Coverage

SB 840 would establish a single-payer government-run universal health care system that would replace all current commercial and public health care coverage programs within the state. Known as the California Universal Healthcare Act, it would provide all California residents with a comprehensive package of health and prescription drug benefits. It would create the California Universal Healthcare System (CUHS) which would be administered by the California Universal Healthcare Agency under the control of the Universal Healthcare Commissioner who is appointed by the Governor and confirmed by the Senate. The CUHS would be funded by absorbing existing state funding for public health programs, existing federal funding for public health programs to the extent they are available, and by premiums on individual and employers which would be set by the newly created California Universal Healthcare Premium Commission. Specific details on the funding plan are not included in the bill, but are included in a companion bill, SB 1014. The funding plan would not become effective until two years after the Secretary of Health and Human Services notifies the Legislature that sufficient funding exists to implement the CUHS.

### **FISCAL SUMMARY**

This bill would create a significant new state bureaucracy to administer the CUHS, and all publicly funded and private sector health programs would be replaced. For example, the CUHS would shift county financial responsibility for various programs, such as indigent health care, to the state. As the transition period from the current health care system to the new system is completed, some costs may be offset by redirecting positions at state departments which are responsible for existing health coverage programs.

Other potential cost drivers include: (1) the assumption that federal funds will be available, which may not be the case, (2) weaker eligibility and utilization controls than exist in current law, and (3) full health care benefits may lure substantial numbers of people from other states and countries, even if a residency waiting period is imposed. These General Fund costs potentially run into the billions of dollars annually.

### **COMMENTS**

The Department of Finance is opposed to this bill for the following reasons:

- The bill is virtually identical to SB 840 (2006) which was vetoed because it would establish a government-run health care system that would require an extraordinary redirection of public and private funding, as well as create a vast new bureaucracy.
- The bill would make sweeping changes to California's health care system without fully forecasting the practical and fiscal implications of the measure. The proposed savings from having a single payer system may not materialize. Such dramatic changes likely would create unintended consequences.

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- There is a distinct possibility that current federal funding for the current health care system would not be fully available for the CUHS. If this is the case, the loss of federal funding would have to be replaced by the General Fund or additional taxes. California currently receives over \$21 billion in annual federal funding for Medi-Cal alone.
- The bill would implement premiums upon individuals and employers of an unknown amount. Businesses that could not afford the increased payroll taxes could move out-of-state, go out of

Analyst/Principal (0544) J. Lapanja	Date	Program Budget Manager M Wilkening	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

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business, or reduce their workforces, thereby decreasing tax revenue and negatively affecting the broader economy.

## Related Bills

SB 840 (2006) would have established a single-payer government-run universal health care system virtually identical to SB 840. It was vetoed by the Governor on September 22, 2006 for the same reasons that it is recommended that SB 840 of the current legislative session be opposed.

SB 1014 is linked to SB 840 and would establish various taxes beginning on or after January 1, 2008 to support the CUHS. It would establish a 3.78 percent payroll tax on employees' wages and an 8.17 percent employer tax for wages earned/paid between \$7,000 and \$200,000. In addition, it would impose a one percent tax on the portion of a taxpayer's taxable income that exceeds \$200,000 but which is not over one million dollars. These revenues would be transmitted to the Treasurer to be deposited in the Health Insurance Fund.

		SO	(Fiscal Impact by Fiscal Year)						
Code/Department	LA	(Dollars in Thousands)							
Agency or Revenue	CO	PROP							Fund
Type	RV	98	FC	2008-2009	FC	2009-2010	FC	2010-2011	Code
4260/Hlth Care	SO	No		-----	See Fiscal Summary	-----			0001
4260/Hlth Care	LA	No		-----	See Fiscal Summary	-----			0001
4260/Hlth Care	SO	No		-----	See Fiscal Summary	-----			0890
4260/Hlth Care	LA	No		-----	See Fiscal Summary	-----			0890
<u>Fund Code</u>	<u>Title</u>								
0001	General Fund								
0890	Trust Fund, Federal								